



DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
NAVAL AIR SYSTEMS COMMAND HEADQUARTERS
WASHINGTON, DC 20361-0001

IN REPLY REFER TO
NAVAIRINST 7040.11B
AIR-8011

13 Jan 87

NAVAIR INSTRUCTION 7040.11B

From: Commander, Naval Air Systems Command
To: Deputy Commanders, Assistant Commanders, Comptroller, Command Special Assistants, Program Directors, Designated Program Managers, Program Coordinators, Directorate Directors, and Office and Division Directors

Subj: FUNDING OF TEST AND EVALUATION COSTS

Ref: (a) OPNAVINST 3960.10B (NOTAL)
(b) NAVCOMPT Manual Volume 7 paragraphs 075206 and 075403
(c) DoD 7110-1M, Budget Guidance Manual, Chapter 251 (NOTAL)

(R)

Encl: (1) T&E Phases
(2) DoD Test and Evaluation Support Activities

1. Purpose. To provide funding guidance for test and evaluation (T&E) costs.
2. Cancellation. This instruction supersedes NAVAIR Instruction 7040.11A of 10 September 1984.
3. Definitions. References (a) and (b) provide the following definitions of terms used in this instruction:

(R)

a. T&E is a major control mechanism of the acquisition process. Programs advance from one phase to the next or qualify for major new funding increments based on actual achievement of preset thresholds verified by T&E. Enclosure (1) provides a comparison of program phases to T&E requirements.

b. Development test and evaluation (DT&E) is T&E conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives. DT&E is required for all research, development, test and evaluation (RDT&E) and acquisition programs in all four acquisition categories (ACAT's).

c. Technical evaluation, the final phase of development test (DT)-II, is conducted with production representative hardware and validated software to identify technical deficiencies and determine whether the design meets technical specifications and requirements.

d. Operational test and evaluation (OT&E) is T&E conducted to estimate a system's operational effectiveness and operational suitability, identify the need for modifications, and provide information on tactics, doctrine, organization and personnel requirements. OT&E is divided into initial operational test and evaluation (IOT&E) and follow-on test and evaluation (FOT&E). OT&E is required for all ACAT I, II, III, and IVT programs. It is not required for ACAT IVM programs.



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e. IOT&E is all OT&E up to and including operational evaluation (OPEVAL) and is conducted before commitment of a system to production, to provide a valid estimate of expected system operational effectiveness and suitability.

f. OPEVAL is T&E required by the Chief of Naval Operations to prove an item's effectiveness in an operational environment. It is the final phase of IOT&E and is a prerequisite to rate production. OPEVAL will be conducted using production representative hardware, validated software, and maintenance and support equipment planned for fleet use.

g. FOT&E is all OT&E after OPEVAL and is conducted after commitment of a system to production to ensure that production items meet operational effectiveness and suitability thresholds and to evaluate system and support changes needed to meet readiness and performance goals.

A) (1) Operational Test (OT)-III is FOT&E conducted after the last phase of OPEVAL, but before production systems are available for testing. OT-III generally encompasses evaluation of system components not available during IOT&E, accomplishment of deferred or incomplete IOT&E, and verification of correction of deficiencies discovered during IOT&E.

A) (2) OT-IV is FOT&E conducted on production systems. The main objective of OT-IV is validation of operational effectiveness and suitability of production systems. Other OT-IV objectives include evaluation of systems in new environments, in new tactical applications, on different platforms, or against new threats.

h. Direct costs are expenses incurred directly for, and are readily identifiable to, specific customer work assignments. Direct costs include labor, material, minor construction, utilities, equipment, supplies, and any other resources damaged or consumed during testing or maintained for a particular user.

i. Indirect costs are expenses incurred which are not readily identifiable with individual customer work. Indirect costs include management and other costs that normally are not identifiable to a particular program.

4. Budgeting Responsibilities. Responsibility for budgeting and funding T&E costs is as follows:

R) a. The Developing Activity (DA) is generally the commander of a systems command. The DA will budget and fund all DT&E and OT&E costs through OT-III. OT&E costs include test articles, expendables, targets, maintenance and logistics support, laboratory and contract analytic support, instrumentation, data collection and reduction, establishment of training, test articles, and all production acceptance T&E (PAT&E) costs. Since the DA must budget for

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these OT&E costs, the Commander, Operational Test and Evaluation Force (COMOPTEVFOR) should identify all requirements in sufficient time to integrate them into the program schedule and budget cycle, at least 2 and preferably 3 years in advance of the fiscal year in which needed. The DA does not budget for the costs identified in paragraphs 4b through 4d below.

b. The fleet commanders in chief will plan, program, budget and fund fleet travel for training, operating costs for RDT&E support provided by fleet units, and all costs of OT-IV. This excludes procurement costs of the systems tested and Operational Test and Evaluation Force (OPTEVFOR) costs in paragraph 4c below. (R

c. COMOPTEVFOR will budget and fund OPTEVFOR travel and nonprogram related and administrative costs.

d. The Board of Inspections and Survey (INSURV) will budget and fund INSURV travel and nonprogram related and administrative costs.

5. Appropriation Responsibility. References (b) and (c) assign appropriation responsibilities for T&E costs as discussed below:

a. Generally, all RDT&E-related effort should be funded in the research development, test and evaluation, Navy (RDT&E,N) appropriation. Gray areas are to be resolved in favor of RDT&E,N funding. The RDT&E,N appropriation funds:

(1) Costs of RDT&E,N program efforts performed by contractors and government installations, including procurement of equipment and material required for development of equipment and material, its DT&E and its IOT&E.

(2) An adequate number of research and development (R&D) articles for DT&E and IOT&E purposes. If an initial pilot production line must be established to provide sufficient items in IOT&E testing, RDT&E,N funds the cost of the items as well as start up costs for the pilot line. However, once a production decision is made, retention of pilot production capability is funded by the procurement appropriations. Special support costs (out-of-pocket costs incurred in direct support of the T&E effort) and command support costs (incremental people-related costs of the units providing collateral T&E support, such as overtime, per diem, and travel allowances) for accomplishment of these tests should be RDT&E,N funded. (R

(3) Items expected to be consumed in RDT&E.

(4) Costs incurred in OPEVAL of hardware developed under the RDT&E,N appropriation.

(5) Costs of T&E related to redesign of major end items or major components currently in production or in the operational inventory to increase the current performance envelope and extend the useful military life of such items.

b. Other

R) (1) For programs proceeding in the classical sense, all costs incident to FOT&E efforts to demonstrate operational suitability are funded by the operations and maintenance, Navy (O&M,N) appropriation. Acquisition of test articles are funded by procurement appropriations. For programs that are committed to production prior to completion of RDT&E, FOT&E (OT-III) costs are chargeable to the RDT&E,N appropriation until completion of the RDT&E program. Typically, approval for full production is dependent upon this testing.

R) (2) End items currently in production can be allocated on a priority basis to support of approved R&D programs, if not consumed in testing. The cost of the end item is funded by procurement appropriations. RDT&E,N will fund any costs necessary to reconfigure the articles for testing to return the item to serviceable condition following testing activities. Reimbursement by RDT&E,N is required if the items cannot be returned to service use after testing. Conversely, articles for T&E financed by RDT&E,N still available at the completion of the IOT&E test program may be reassigned for operational use or inventory. The costs to reconfigure such articles for operational use are financed by O&M,N or procurement appropriations, depending on whether the item had previously been in service.

R) (3) The acquisition of commercial items for testing and operational evaluation which do not require RDT&E engineering, design or integration will be funded by procurement or O&M,N appropriations, as determined by the expense/investment criteria.

(4) T&E not requiring R&D effort is the responsibility of the appropriation that will procure the items for operational use. Testing not associated with R&D includes

(a) acceptance, quality control and surveillance testing of articles obtained for other than R&D purposes;

(b) routine testing in connection with logistic support;

(c) testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than R&D;

(d) all DT&E subsequent to acceptance for operational use (DT-III or PAT&E) will be funded from procurement for the acquisition of test articles, contractor support and for the costs required to complete such testing; and

R) (e) all FOT&E subsequent to acceptance for operational use and OT&E to demonstrate the operational employment and develop operational tactics will be funded from procurement for the acquisition of the test articles and from O&M,N for the costs required to complete such testing. Funding responsibility for OT-III and OT-IV is identified in paragraph 4 above.

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6. T&E Support Activities. The Major Range Test Facility Base (MRTFB) is a national asset that is operated and maintained primarily for Department of Defense (DoD) T&E support missions. However, it is available to all users having a valid requirement for its capabilities. Enclosure (2), an excerpt from reference (b), is a list of activities composing the MRTFB. References (b) and (c) provide the following guidance on T&E support activities:

a. Uniform Funding Policy. DoD component users will reimburse the activity for direct costs excluding military labor costs that can be readily identified to a particular program. All other federal agencies will reimburse the activity for all direct costs plus indirect costs excluding military retirement, depreciation and the unfunded portion of civilian retirement. All non-Federal agencies and commercial users will reimburse the activity for all direct and indirect costs. This reimbursable policy does not apply to the operating forces within the claimancy of the Commander in Chief, U.S. Atlantic Fleet that utilize the Atlantic Fleet Weapons Training Facility (LANTFLTWPNTAFAC).

b. Institutional Funding. The management command of each Department of the Navy activity operating under the uniform funding policy will budget for and fund the activity's indirect costs (including minor construction and investment items of a general nature) that are not chargeable to users on a direct cost basis. Budget activity 6 of RDT&E,N is the source of institutional funds. Base operations costs are funded in O&M,N for MRTFB activities commencing in fiscal year 1987. However, indirect costs of the LANTFLTWPNTAFAC should be budgeted and funded under O&M,N for expenses and under other procurement, Navy and military construction appropriations for applicable investments. Institutional funding for LANTFLTWPNTAFAC should include those costs necessary for utilization of the facility by the operating forces within the claimancy of the Commander in Chief, U.S. Atlantic Fleet.



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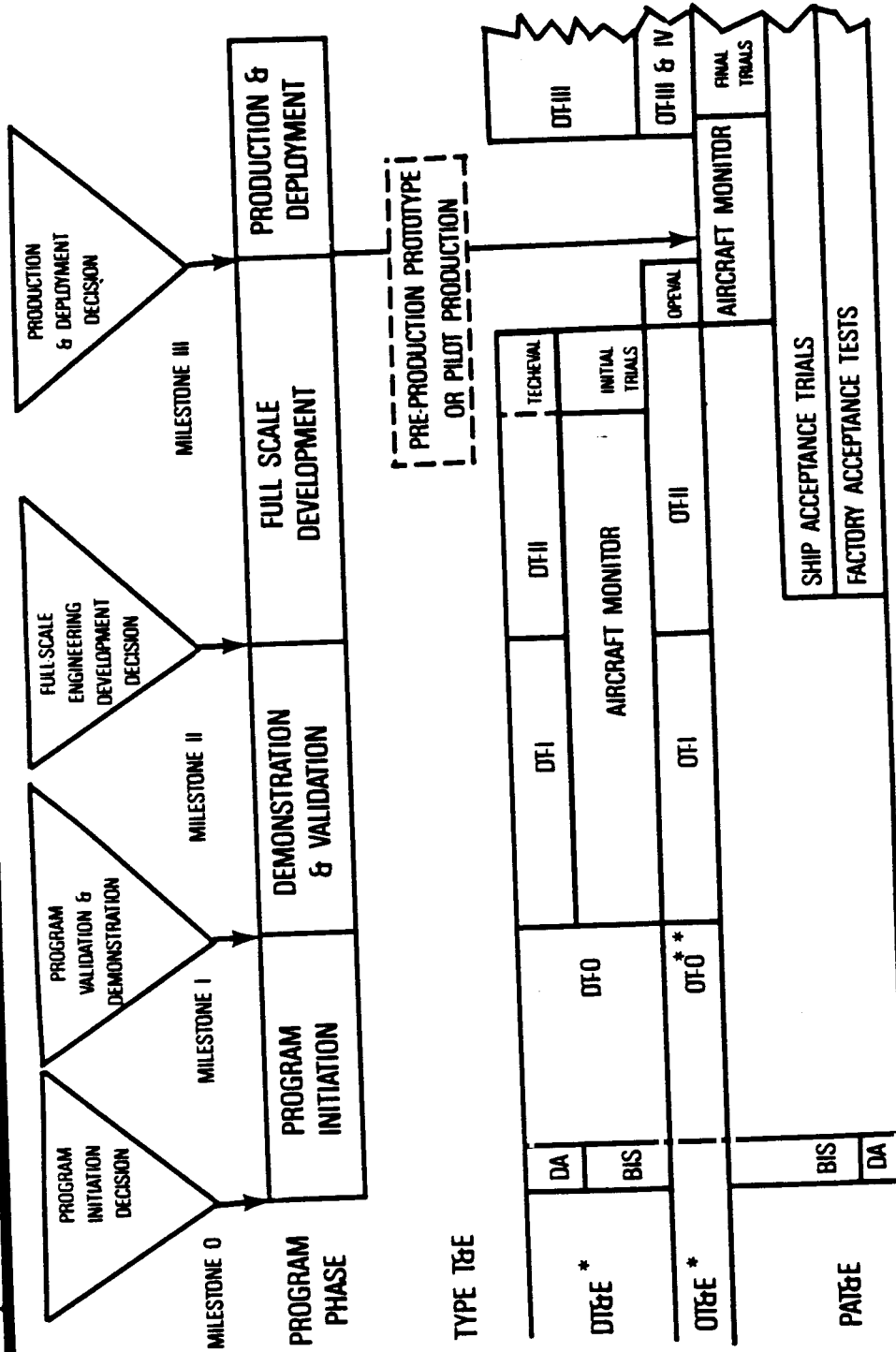
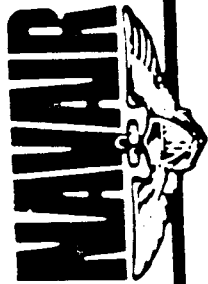
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T&E PHASES



* ALL T&E MAY BE FURTHER DIVIDED INTO SUBPHASES eg. DT-IIA, DT-IIIB, etc.
** NOT REQUIRED FOR MOST ACQUISITION PROGRAMS

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DOD TEST AND EVALUATION SUPPORT ACTIVITIES

Navy

Pacific Missile Test Center (COMPACMISTESTCEN)
Naval Air Test Center (NAVAIRTESTCEN)
Naval Air Propulsion Center (NAVAIRPROPCEN)
Naval Weapons Center (NAVWPNCEN) (T&E portion only)
NUSC Detachment Atlantic Undersea Test and Evaluation Center (AUTEC)
LANTFLTWPNTAFAC

Army

Yuma Proving Ground (YPG)
White Sands Missile Range (WSMR)
Kwajalein Missile Range (KMR)
Electronic Proving Ground (EPG)
Dugway Proving Ground (DPG)
Aberdeen Proving Ground (APG)

Air Force

Arnold Engineering Development Center (AEDC)
Tactical Fighter Weapons Center (TFWC) (range group only)
Eastern Space and Missile Center (ESMC)
Western Space and Missile Center (WSMC)
Air Force Flight Test Center (AFFTC) (includes Utah Test and Training Range)
Armament Division (AD)
4950th Test Wing

Encl (2)

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